

H.R. 5160, THE BUSINESS, INVESTORS', AND EMPLOYEES' BILL OF RIGHTS ACT

Congresswoman Louise Slaughter (D-NY) is an original cosponsor of comprehensive legislation targeted at bring real reforms to Corporate America-- H.R. 5160, The Business, Investors', and Employees' Bill of Rights Act (as introduced by Rep. Richard Gephardt (D-MO) in the House of Representatives on July, 18, 2002).

Elements of Real Reform:

New Tough Criminal Penalties for Corrupt Corruption
Making Executives Accountable
Strengthening Auditor Independence
Enhancing Pension Protection
Stopping Offshore Tax Havens

New Tough Criminal Penalties for Corrupt Corruption:

- C This legislation creates a new 10-year felony for defrauding shareholders of publicly traded companies, giving investigators and prosecutors enforcement flexibility necessary to protect against frauds which inventive criminals may devise in the future to defraud shareholders of publicly-traded companies.
- C This measure creates a new 5-year felony for the destruction of evidence (i.e. financial records and other corporate documents) with the specific intent to obstruct a federal agency or a criminal investigation. It also creates a 5-year felony for the willful failure to preserve corporate audit papers.
- C This legislation would confer whistleblower protection to employees of publicly traded companies who lawfully disclose information or otherwise assist criminal investigators, federal regulators, parties in a judicial proceeding, or other authorities in detecting and stopping fraud.

Making Executives Accountable:

- C CEO would be required to personally vouch for the integrity and accuracy of their firms' financial statements and would be subject to stiff criminal penalties for lying in these statements. In addition, CEO would lose their stock bonuses and incentive-based forms of compensation if they submit misleading statements or engage in similar misconduct.
- C This legislation would tax the deferred compensation benefits of corporate executives if there are arrangements designed to protect these executive benefits in the case of bankruptcy or financial distress of the employer.
- C In cases where departing executives receive golden parachutes while leaving behind plummeting shareholder value or companies in bankruptcy proceedings, this measure would impose an excise tax on the severance package.
- C This legislation would prevent corporations from deducting executive compensation (of more than \$1 million) if obtained through manipulation of the company pension funds.

This provision seeks to prevent corporate executives from being rewarded for cutting employee pension benefits or from using unrealistic rates of return for the pension plan.

- C Under this measure, the Securities and Exchange Commission would be empowered to bar corporate CEOs and directors who are guilty of wrongdoing from serving as corporate officers or directors at other companies in the future.
- C This legislation would prohibit corporate executives and members of the board of directors from receiving *insider company loans*. These loans harm the corporation, its employees and investors by draining valuable assets.
- C Under this measure, corporate officers would have to make same-day reports of stock and derivatives sales to the Securities and Exchange Commission.

Strengthening Auditor Independence and Industry Oversight

- C This measure seeks to strengthen the regulatory and enforcement functions of the Securities and Exchange Commission by doubling funding and staff for the agency's enforcement, accounting, and corporate finance divisions
- C To ensure that audits are objective in certifying companies' financial reports, this measure would bar auditors from performing non-audit services for its client that create conflicts of interest, including consulting, or financial reporting systems.
- C This legislation would create a regulatory board with sweeping investigative and disciplinary powers over audit firms, subject to review by the Securities and Exchange Committee.
- C This bill seeks to ensure stock analyst independence and objectivity by severing the link between compensation for analysts and investment banking. This measure would block analysts from holding stock in the companies that they cover and create of a new compensation regime for analysts based on the quality of their research.

Enhancing Pension Protection for Employees

- C Under this measure, employees would be permitted to sell company stock after 3 years of participating in the plan and would have representation on the boards of pension plans.
- C This bill requires immediate disclosures when executives selling company stock and advanced notification of employee "lock-out" periods.
- C Misleading statements on the value of employer stock or other pension investment plans made by employers would be strictly prohibited.

Stopping Offshore Tax Havens

- C To deter corporations from reincorporating in a foreign country to evade the U.S. income tax, this legislation would require corporate executives to pay capital gains taxes on their stock options when the corporation moves overseas.

